

**Baader Bank**

# Group Semi-Annual Report as of 30/06/2022

*All figures are provisional and unaudited*

## OVERVIEW OF KEY FIGURES – 1ST HALF-YEAR 2022<sup>1</sup>

All figures are provisional and unaudited

BAADER BANK GROUP Key P&L figures	1 <sup>st</sup> half-year 2022 EUR mn	1 <sup>st</sup> half-year 2021 EUR mn	Change in %
<b>Income</b>	<b>84.8</b>	<b>135.6</b>	<b>-37.4</b>
<i>Of which</i>			
Net interest income and current income	-0.1	-0.5	87.3
Net commission income	8.6	9.7	-10.5
<i>From commission revenue</i>	56.0	53.2	5.2
Net trading income	68.7	115.1	-40.3
Revenue	5.2	5.7	-8.7
Other income	2.3	5.6	-58.2
<b>Expenses</b>	<b>-73.8</b>	<b>-91.8</b>	<b>-19.6</b>
<i>Of which</i>			
Personnel expenses	-32.7	-42.3	-22.8
Other administrative expenses and other operating expenses	-31.3	-25.5	22.4
Amortisation and depreciation on intangible assets and property, plant and equipment	-5.0	-4.2	19.6
Other amortisation and depreciation/Risk provision	3.8	-1.4	> 100
<i>of which write-downs/write-ups of loans and advances and certain securities as well as additions to provisions in lending business</i>	3.8	-1.4	> 100
Additions to the fund for general banking risks	-8.7	-18.4	-52.7
<b>Earnings before tax (EBT)</b>	<b>11.0</b>	<b>43.8</b>	<b>-74.9</b>
<b>Operating result<sup>3</sup></b>	<b>14.6</b>	<b>59.4</b>	<b>-75.5</b>
<b>BAADER BANK GROUP Key balance sheet figures</b>	<b>30/06/2022 EUR mn</b>	<b>31/12/2021 EUR mn</b>	<b>Change in %</b>
<b>Total assets</b>	<b>2,401.9</b>	<b>1,819.7</b>	<b>32.0</b>
<b>Common Equity Tier 1 ratio (CET 1)</b>	<b>21.13 %</b>	<b>22.1 %</b>	<b>-</b>

<sup>1</sup> The transfer to the fund for general banking risks also takes into account the statutory transfer to the fund for general banking risks in accordance with Section 340e HGB at the end of the year.

<sup>2</sup> Financial figures of the Baader Bank Group; all figures preliminary and unaudited; reported in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB).

<sup>3</sup> Gross profit (= net interest income + current income + net commission income and trading income + revenues) less personnel expenses and other administrative expenses as well as amortisation/depreciation on intangible assets and property, plant and equipment.

## FIRST HALF-YEAR 2022

### Market environment characterised by economically unstable developments

On a basic level, the first half of 2022 was marked by inflation rates that continued to rise, many central banks imposing stronger tightening measures than expected and increasing concerns about the future economic outlook. This continued to be driven by COVID-19-related restrictions in many countries, which curbed activity in the services sector and consistently hampered global supply chains. Further strain was caused by new uncertainties about further escalation of geopolitical risk following the invasion of Ukraine by Russian troops, which showed up in the form of significantly rising energy prices.

The very pronounced trend of the previous year towards rising inflation rates continued unabated in the first half of 2022. While the inflation rate in the Eurozone remained just within negative territory at the end of 2020, it had already reached 5.0 % at the end of last year, rising to 8.6 % in June 2022. However, while it was long-assumed by the central banks that inflation would rise temporarily in 2021 and therefore their responses to growing price pressure were minimal, concerns about high inflationary pressure over the long term grew significantly in the first half of 2022. Against this backdrop, both the Federal Reserve and the European Central Bank terminated their bond purchase programmes much earlier than previously announced. While the Federal Reserve raised the target range for its base rate in three steps to 1.50 % - 1.75 % in the first half of the year, the ECB opted to announce its first interest rate increase for July.

The combination of increasing uncertainty about the economic outlook and growing pressure on prices led to a significant decline in many economic sentiment indicators. Consumer confidence in both the US and Europe significantly weakened as a result of decreasing purchasing power and growing economic uncertainty. In the first half of the year, many European companies were still able to pass the increased costs on to their customers. Concerns that there may be disruption to the gas supply in the further course of the year also caused a significant downturn in medium-term business prospects in the corporate sector. In this context, the first half of the year saw a significant downward revision of the consensus estimates for economic growth in 2022 and 2023.

Rising inflation rates and falling growth prospects resulted in an environment of increasing stagflation, which led to a significant increase in volatility on the financial markets. Equities were under pressure and returns on 10-year government bonds rose by around 200 basis points in both Germany and the US. The development of commodity prices was varied. While the price of crude oil increased significantly, the price of industrial metals such as copper fell. The euro, under the pressure of continuing geopolitical strife, continued to lose value against the US dollar in the first half of the year.

## Events and developments in the first half of 2022

For the first half of 2022, Baader Bank recorded earnings before taxes of EUR 11.0 million in the Group. The 5.2% increase in commission income amounted to a total of EUR 56.0 million, illustrating the growth trajectory in new business. However, the difficult market environment impacted trading income, which was moderate at EUR 68.7 million (previous year: EUR 115.0 million). In the first half of the year, EUR 8.7 million was allocated to the fund for general banking risks (HY1 2021: EUR 18.4 million).

In line with the development in the trading result, the Group's total earnings (EUR 84.8 million) were around 37% lower compared to the same period in the previous year, which recorded a very strong performance (HY1 2021: EUR 135.6 million). Net commission income amounted to a total of EUR 8.6 million (HY1 2021: EUR 9.7 million) and was impacted structurally by trade-related commission expenses, which rose slightly due to the increase in business volume.

Current income and net interest income approached positive territory in the first half of 2022, amounting to EUR -0.1 million. It is expected that this trend will be consolidated over the course of the year.

### Investments in employees, IT infrastructure and innovation continued consistently

Total expenses decreased in the first half of 2022 in line with the overall development and also fell compared to the same period in the previous year. They amounted to EUR 73.8 million (HY1 2021: EUR 91.8 million). Despite the moderate increase in the number of employees, personnel expenses fell by 23% to EUR 32.7 million compared with the same period in the previous year.

Other administrative expenses and other operating expenses increased by 22% to EUR 31.3 million. This increase was mainly due to further investments in the IT infrastructure to optimise platform functionalities.

As of 30/06/2022, the Group's total number of employees (in full-time equivalents) is 480 (31/12/2021: 448).

## **Growth in the B2B platform business with a focus on European markets**

The growth of Baader Bank in the first half of 2022 was driven in particular by the B2B platform partnerships in the account and custody business. In addition to onboarding new B2B partners, the development of European markets played a particularly important role in this environment. In France, Italy, Spain and Poland, the first B2B partnerships are already in the process of being implemented. Baader Bank's strategic orientation aims to enable cost-effective neo-broker models beyond the GSA region. In this setup, Baader Bank operates as both a platform and one of the leading partners for securities and banking services in Europe.

Thanks to the growth in digital offerings for private investors, investing on the financial markets is easier than ever before. In particular, (ETF) savings plan offers remain in the interests of private savers, promoting the constant development of broker products suitable for the mass market for the purpose of supplementing the comparatively conventional pension plans. As such, the first half of 2022 saw a rise in the Group's volume of deposits under management, despite market fluctuations, by 14% to a total of EUR 14 billion (31/12/2021: EUR 12.3 billion). The number of securities accounts increased by a further 39% compared to the previous half year, totalling around 700,000 (31/12/2021: 502,000 securities accounts). In particular, Baader Bank focused on collaborations with digital asset managers and brokers in order to profit from additional economies of scale in terms of IT processes and systems.

The growth in the B2B platform business promotes sustainable cross-selling effects in the best execution service on gettex, the Munich Stock Exchange trading platform. New providers on the market are not in competition with Baader Bank, but are considered potential cooperation partners for Baader Bank's platform business.

As well as expanding supply within Europe, current developments in the cryptocurrency segment are also stimulating securities trading and custody business. Within the scope of its B2B partnerships, Baader Bank also takes a strategic view on these segments.

## **Challenging Market Making environment characterises earnings development**

At the start of 2022, volatility tended to normalise in comparison with the fluctuations in the market during the exceptional environment of 2020 and 2021. While there was an even greater amount of supportive momentum in the first quarter, the second quarter was characterised by a very challenging environment for market makers. This was primarily based on the development of the global markets described above. In addition to fluctuating volatility, stable trading volumes shaped the environment. In the second quarter in particular, however, trading volumes in Germany were below the levels of 2020, i.e. the first year of the pandemic. However, the activities of the trading participants lacked direction, which presented the biggest challenge for market makers.

Nevertheless, Baader Bank's market share on the relevant stock exchanges has seen positive development in terms of revenue and the proportion of trades. In the first half of 2022, Baader Bank had already recorded more than 10 million trades in Market Making. More particularly, gettex, the market place of the Munich Stock Exchange, stood up to established stock exchanges. The stock exchange platform has already developed into a relevant competitor in stock market trading in securitised derivatives. With the neobroker boom continuing, there appears to be a promising trend towards gettex as a free market place. On both the Frankfurt Stock Exchange and the Stuttgart Stock Exchange, revenues reached a steady level in the first quarter but demonstrated a significantly declining trend in the second quarter. There was also an equivalent sales trend in the foreign equities segment of the Stuttgart Stock Exchange.

Overall, as a service provider in Market Making within the equities, funds and ETFs segments, Baader Bank benefited from the continued acquisition of new customers – neobrokers – outside of the GSA region, thanks to its strong position in retail trading, particularly on gettex. Baader Bank was able to counter the somewhat higher trading volumes in the first quarter by means of its efficient IT and

process infrastructure in its role as a resilient partner in the global capital market environment. The solid capital and liquidity base hereby serve as another competitive advantage for reliable settlement, even in periods of market volatility. In particular, the trend-related demand for products in the crypto-ETFs segment was implemented in phases by all of Baader Bank's trade sectors in the form of increases in revenue.

Baader Bank is still oriented towards being a full-service provider with the highest quoting and execution quality on several stock exchanges, and is now actively involved in making the broker market more European. We are quick to assess and implement the latest technology, process and service innovations and tap into potential new markets and products. The strong trading set-up in Baader Bank's Market Making is also able to be competitive in the exceptional conditions on the markets and provide the bank's clients with high-quality trading and quotation.

### **Multi Asset Brokerage with stable business development**

The first half of 2022 saw very positive progression in the Multi Asset Brokerage sector, with development of trading activities among institutional investors that paralleled market development. Significant momentum was provided in particular by growth of the retail client business on the part of neobrokers and considerable interest in crypto ETFs, for example. Despite the market trend, Baader Bank was successful in connecting with new customers and further expanding its market share.

While individual market participants are scaling back their brokerage activities, Baader Bank is striving to sustainably expand its business and increase its market share. In the process, it has positioned itself as a high-profile trading partner and market leader, particularly in relation to the cash equity business from Germany, Austria and Switzerland. Derivatives and interest-rate products round off the product range. In terms of outlook, the expansion of business within Multi Asset Brokerage was increasingly geared towards Europe, which was associated with the efficiency-driven automation of the business unit in terms of its competitiveness.

### **Capital market business once again significantly affected by global economic slowdown, stable mandate situation for securities advisory services**

Following a very successful year for the capital market business in 2021, poorer economic prospects meant that the first half of this year was noticeably more restrained. Overall, fears of recession have put pressure on the IPO business and the business acquisition market, and this is expected to be the case for the rest of the year. However, Baader Bank expects to be able to implement projects already in the pipeline in the second half of the year as planned.

At the start of the year, Baader Bank acted as Sole Global Coordinator and Sole Bookrunner in the case of a capital increase for Mühl Product & Service AG. As part of a subscription right issue, the Company issued approx. 10.7 million new shares at an offer price of EUR 3.00 per new share for a total volume of approx. EUR 32 million.

Despite the market-related challenges, the Bank was able to build upon the special execution business's successful start the previous year, most notably through bond transactions. The comparatively young market for securitised ETNs (exchange traded notes), which often enable investment in cryptocurrencies, also had a positive effect on business development. The demand for securitised products in cryptocurrencies was – and still is – strong, offering further potential due to the increasing number of issuers interested in ETNs.

In the first half of this year, a total of 39 transactions were supported and concluded in the securities services business. Despite the current market situation, the outlook for the second half of the year remains positive.

In the Corporate Brokerage division, Baader Bank was managing 72 mandates as of the half-year reporting period. Among other things, delistings were responsible for the slight decline compared with the end of the year. Nevertheless, further new mandates were won - both for services in capital market advisory and in designated sponsoring. In view of the still intense competitive environment, this development continues to be positive, in line with an increasing development of commission income - also an effect of successful acquisition activities during the exceptional years 2020 and 2021.

### **Research services an additional driver in the commission business**

Baader Bank continued to drive its in-house research business and increased the number of research contracts by almost 2.5% in the first half of the year. In this respect, Baader Bank's stake in the independent French research provider AlphaValue SA, which it acquired in 2019, continued to have a strong positive impact.

The in-house research offering, which constitutes an interface between two customer groups of particular relevance for Baader Bank (corporate customers, the majority of whom are from the GSA region, and international institutional investors), created important cross-selling effects.

Interest in research events was also consistently high despite their virtual format. The 18th Baader Helvea Swiss Equities Conference brought together around 80 leading Swiss companies and over 450 investors from some 25 countries for a virtual event in January. The event remains so popular with participants that this year's conference once again extended to three days in total. The Baader Investment Conference in September is expected to take place as an in-person event.

## NET ASSETS

### Baader Bank Group

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ASSETS	30/06/2022	31/12/2021	Change
	EUR'000	EUR'000	%
1. Cash reserves	1,725,891	1,372,123	25.8
2. Loans and advances to banks	131,140	149,256	-12.1
3. Loans and advances to clients	100,325	99,313	1.0
4. Debt securities and other fixed-income securities	229,845	47,474	> 100.0
5. Equities and other variable-income securities	3,765	849	> 100.0
6. Trading portfolio	72,222	41,754	73.0
7. Equity investments	10,290	9,690	6.2
8. Intangible assets	11,296	11,580	-2.5
9. Property, plant and equipment	73,004	74,577	-2.1
10. Other assets	32,200	1,802	> 100.0
11. Prepaid expenses and deferred charges	3,851	3,994	-3.6
12. Excess of plan assets over pension liabilities	8,102	7,270	11.4
<b>Total assets</b>	<b>2,401,931</b>	<b>1,819,682</b>	<b>32.0</b>

EQUITY AND LIABILITIES	30/06/2022	31/12/2021	Change
	EUR'000	EUR'000	%
1. Bank loans and advances	73,490	46,840	5.9
2. Liabilities to customers	2,044,649	1,497,533	36.5
3. Trading portfolio	13,873	2,701	> 100.0
4. Other liabilities	20,460	13,195	55.1
5. Prepaid expenses and deferred charges	284	243	16.9
6. Provisions	22,967	47,746	-51.9
7. Fund for general banking risks	55,661	46,961	18.5
8. Equity	170,547	164,463	3.7
<b>Total equity and liabilities</b>	<b>2,401,931</b>	<b>1,819,682</b>	<b>32.0</b>

Total assets as at 30/06/2022 increased by 32.0% compared to the balance sheet date as at 31/12/2021 and now amount to EUR 2,401.9 million.

On the assets side, the change was mainly due to the significant increase in cash reserves and holdings in bonds and other fixed-income securities. On the liabilities side, liabilities to customers increased due to continued significant growth in customer deposits.

As at 30/06/2022, the Group had balance sheet equity in the amount of EUR 170.5 million (31/12/2021: EUR 164.5 million). Regulatory equity capital amounted to EUR 176.4 million. The balance sheet equity ratio was 7.1% and the regulatory core capital ratio (CET1 ratio) was 21.1%. The change in equity primarily relates to the balance of the positive net income before third-party shareholders for the first six months of the financial year 2022 in the amount of EUR 5.9 million, as well as dividend distributions by subsidiaries of EUR 0.2 million.

The Group's net asset position remains sound.



## RESULTS OF OPERATIONS

All figures are provisional and unaudited

CONSOLIDATED INCOME STATEMENT	1st half of 2022 EUR'000	1st half of 2021 EUR'000	Change %
1. Net interest income	-457	-988	-53.7
2. Current income from			
a) Equities	236	411	-42.6
b) Equity investments	160	95	68.4
	396	506	-21.7
3. Net commission income	8,647	9,656	-10.4
4. Net result from the trading portfolio	68,662	115,070	-40.3
5. Revenue	5,219	5,719	-8.7
6. Other operating income	2,349	4,742	-50.5
7. Administrative expenses			
a) Personnel expenses	-32,700	-42,337	-22.8
b) Other administrative expenses	-30,231	-24,100	25.4
	-62,931	-66,437	-5.3
8. Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	-4,967	-4,154	19.6
9. Other operating expenses	-1,038	-1,440	-27.9
10. Depreciation, amortisation and write-downs on receivables and certain securities as well as allocations for provisions in credit transactions	0	-1,405	-100.0
11. Income from the write-up of receivables and certain securities as well as the reversal of provisions in credit transactions	3,962	0	100.0
12. Depreciation, amortisation and write-downs on equity investments, shares in affiliates and securities treated as assets	-173	0	100.0
13. Income from the write-up of equity investments, shares in affiliates and securities treated as assets	0	877	-100.0
14. Expenses from the addition of the fund for general banking risks	-8,700	-18,389	-52.7
15. Profit/loss on normal activities	10,969	43,757	-74.9
16. Taxes on income	-5,003	-7,454	-32.9
17. Other taxes not shown under Item 9	-26	-24	8.3
18. Consolidated net income	5,940	36,279	-83.6
19. Non-controlling interests	-135	-208	-35.1
20. Retained earnings from the previous year	21,427	19,243	11.3
21. Consolidated net retained profit	<b>27,232</b>	<b>55,314</b>	<b>-50.8</b>

For the first half of 2022, the Baader Bank Group recorded earnings before tax of EUR 11.0 million.

At EUR 0.5 million, net interest income was slightly above the previous year's level. The holdings in bonds and other fixed-interest securities, plus negative interest rates over the past months, resulted in negative overall net interest income and remained of minor importance to Baader Bank.

Current income decreased slightly, amounting to EUR 0.4 million.

Commission income fell by 10.4% to EUR 8.6 million, impacted by trade-induced settlement and exchange fees, as well as commercial agent's commissions, due to the high level of trading volumes. Commission income adjusted for trade-induced expenses amounted to EUR 42.6 million and was therefore above the previous year's level. While brokerage and transaction fees declined slightly, contributions to earnings increased again in the traditional brokerage business of Baader Bank and Baader Helvea in Switzerland.

Net trading income decreased by 40.3% in the first half of the year compared with the same period of the previous year. It was the decisive parameter for the positive performance during the first half of the year, with a profit contribution of EUR 68.7 million. The ongoing trend continued and, as in the previous year, led to further growth in new and existing business which, combined with the long-term and successful development of Baader Bank, strengthened the earnings side on a sustainable basis.

The recognised revenue is fully attributable to the feed-in remuneration for electricity generated by the wind park.

Administrative expenses decreased by 5.3%, or EUR 3.5 million, compared to the previous year. The portion attributable to other administrative expenses increased moderately. On the other hand, personnel expenses were lower due to variable remuneration components associated with positive business performance.

Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment resulted entirely from scheduled depreciation, which was somewhat higher mainly due to investments in the IT infrastructure.

The transfer to the fund for general banking risks also takes into account the statutory transfer to the fund for general banking risks in accordance with Section 340e HGB at the end of the year.

All of the Group companies, the Baader Helvea Group, Baader & Heins Capital Management AG and the Selan Group, generated positive contributions to earnings in the first six months of the financial year.

The tax expense represents the actual taxes charged to the Group. Earnings per share amounted to EUR 0.12 (previous year: EUR 0.79).

## FINANCIAL POSITION

*All figures provisional and unaudited*

On 30/06/2022, current receivables and marketable securities for sale at any time amounting to EUR 2,246.7 million were offset by current liabilities in the amount of EUR 2,068.1 million. Netted, this results in a balance sheet liquidity surplus of EUR 178.6 million. The Group's solvency during the reporting period was assured at all times and is also secure in the future due to the Bank's risk monitoring systems.

## OUTLOOK

### Extent of further monetary policy measures an important stimulus in the second half of the year

The development of the economy and capital markets in the second half of the year will be critically influenced by the extent to which the stress factors that have been increasingly discussed in recent months actually materialise. The future development of inflation in particular is likely to have a significant influence on this. Since global price pressure has so far shown few signs of easing, uncertainty about future energy supply and gradual cost increases in downstream sectors are likely to result in inflation rates initially staying at relatively high levels. As a result, consumer purchasing power is expected to remain under pressure for the time being, while passing on higher costs is likely to represent an ongoing challenge for the corporate sector.

In this context, further monetary policy measures in the second half of the year will also provide an important stimulus. Significant tightening is currently being factored into market prices. By the end of the year, key rates are expected to increase by 200 basis points in the US and by 150 basis points in the eurozone. Given the global central banks' current strong focus on containing price pressure while maintaining very moderate key rates, it can be assumed that they will go ahead and continue to implement tightening measures in the second half of the year.

With regard to future economic development, the question arises as to whether the slowdown of growth that is currently looming on the horizon will continue – especially as central banks such as the Fed have already signalled that they would tolerate a temporary economic slowdown. In view of the various and persistent stress factors impacting the global economy and the current lack of economic stimulus, there is a real risk that global growth momentum will continue to weaken. In particular, there is likely to be an increasing focus on the economic outlook for 2023. Against this backdrop, it can be assumed that the recent concerns about a possible recession will persist.

Consequently, there is also the risk that the consensus estimates for corporate profits, which have so far been relatively stable, could be gradually revised downwards. Valuations on the equity markets have already fallen significantly in recent months. Increasing doubts about the earnings base could, however, somewhat weaken support from this side. But the stricter stance adopted by the central banks together with a slowdown in economic growth is likely to trigger a gradual decline in inflation expectations, which should benefit yields of long-term government bonds. Interest-sensitive securities with stable growth rates in particular could benefit from this. On balance, however, the equity markets are likely to remain volatile throughout the second half of the year, although a temporary improvement is certainly expected in the fourth quarter due to seasonal effects.

## Growth through Europeanisation based on solid capital strength

In the second half of 2022, the Bank's business activities will focus on the medium- and long-term strategic goals. Baader Bank has positioned itself as one of the leading partners for securities and banking services in Europe and as an operator of a leading platform in terms of its technology and processes. In doing so, the prerequisites for the planned growth track have been met from a capital perspective. In addition to strong capital resources, the powerful IT and process infrastructure guarantees reliable delivery capabilities, cementing Baader Bank's position as a resilient partner in the global capital market environment. Thanks to a solid capital and liquidity base, continued high trading volumes can be reliably handled, even during particularly volatile market phases. This value proposition underscores Baader Bank's aspiration: high performance banking.

On the assumption that the markets will normalise in the second half of the year, the Board of Directors is sticking to the forecast announced at the beginning of the year. With a view to the rest of the year, the Board of Directors expects weak market development in the third quarter due to seasonal effects, with a revival in market momentum in the fourth quarter.

With regard to the financial figures, Baader Bank's performance is currently at the lower end of the forecast range issued at the beginning of the year in terms of its trading result and the development of expenses. With a view to the second half of the year, the Board of Directors expects weak market development in the third quarter due to seasonal effects, with a revival in market momentum in the fourth quarter.

Given the unpredictable, exogenous influencing factors, the Board of Directors is of the opinion that reliable forecasts for the business development can only be made with reservations.

Unterschleissheim, Germany, 28/07/2022

Baader Bank AG  
Board of Directors